



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA  
Chief Executive Officer

February 6, 2014

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

To: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

## **SACRAMENTO UPDATE - PROPOSED INFRASTRUCTURE FINANCING DISTRICT LEGISLATION**

### **Executive Summary**

This memorandum contains an update on draft trailer bill language, issued by the California Department of Finance, which would enact the Governor's FY 2014-15 Proposed Budget changes to existing laws governing Infrastructure Financing Districts.

### **Existing Law**

Under existing law, cities and counties can create Infrastructure Financing Districts (IFDs) and issue bonds to pay for regional scale public works such as highways, transit projects, water systems, sewer projects, flood control, child care facilities, libraries, parks, and solid waste facilities. To repay the bonds, the IFDs divert property tax increment revenues from other local governments (except school districts) for 30 years. However, in order for an affected taxing entity to contribute its property tax increment revenue to the IFD, its governing body must approve the infrastructure financing plan by resolution.

The process for establishing an IFD requires that the city or county proposing the IFD develop an infrastructure plan, send copies to every landowner, consult with other local governments, and hold a public hearing. Once the infrastructure financing plan is approved by the affected taxing entities, the city or county proposing the creation of the IFD must get two-thirds voter approval to form the IFD and issue the bonds.

*"To Enrich Lives Through Effective And Caring Service"*

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While Infrastructure Financing Districts use similar financing mechanisms as the former redevelopment agencies, the property in an IFD does not have to be blighted. IFDs are intended to include substantially undeveloped areas. Under current law, an IFD cannot overlap with an existing redevelopment project area.

### **Governor's Proposal - Draft Trailer Bill Language**

As previously reported in the January 10, 2014 Preliminary Analysis of the Governor's FY 2014-15 Proposed Budget, Governor Brown indicated his intent to propose legislation to expand the tax increment financing tool utilized by Infrastructure Financing Districts for a broader array of projects than those which are allowed under current law.

The draft trailer bill language released by the Department of Finance to implement the Governor's proposal would:

- 1) Lower the voter approval threshold for creation of an IFD and the issuance of bonds from a two-thirds vote to 55 percent;
- 2) Expand the types of projects that IFDs can fund to include military base reuse, urban infill, transit priority projects, affordable housing, and associated consumer services;
- 3) Extend the lifespan of an IFD from 30 to 45 years;
- 4) Authorize cities and counties that had a former redevelopment agency to create or participate in a new IFD only if they have received a Finding of Completion from the Department of Finance, are in compliance with all State Controller Office Redevelopment Agency (RDA) findings, and that have resolved all legal issues regarding the RDA wind down process;
- 5) Allow new IFD project areas to overlap with former RDA project areas (but limit available tax increment funding to funds available after payment of former RDA obligations);
- 6) Maintain the current prohibitions on diversions of property tax revenues from K-14 schools;
- 7) Allow a city, county, city and county, or special district, upon approval of its governing board, to loan monies to an IFD that overlaps with its territory to fund projects and activities approved as part of the IFD's financing plan; and

- 8) Terminate an IFD if it has not issued bonds or entered into a loan agreement with a local agency within 25 years of the date that the IFD financing plan is approved and adopted.

**The Governor's Budget proposal will not change existing law which requires the legislative body proposing the formation of an IFD to seek and obtain approval from the county, city, or special districts before their property tax revenue is contributed to the IFD.**

This office will monitor ongoing budget hearings as well as any proposed amendments to the proposed Infrastructure Financing District trailer bill language, and report back on any potential impacts to the County.

#### **Other Infrastructure Financing District proposals**

Many of the Governor's proposals were included in bills introduced by the Legislature in 2013. However, these proposals either did not pass the Legislature or were vetoed because they were part of larger proposals that the Governor felt, at the time, would have prematurely made significant changes to the redevelopment dissolution statutes.

Currently, there is one active bill, **AB 471 (Atkins)** which, as amended on January 29, 2014, also proposes to allow an Infrastructure Financing District to include portions of former redevelopment project areas. AB 471 is pending consideration on the Senate Floor.

We will continue to keep you advised.

WTF:RA  
MR:VE:AO:ma

c: All Department Heads  
Legislative Strategist  
Local 721  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
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